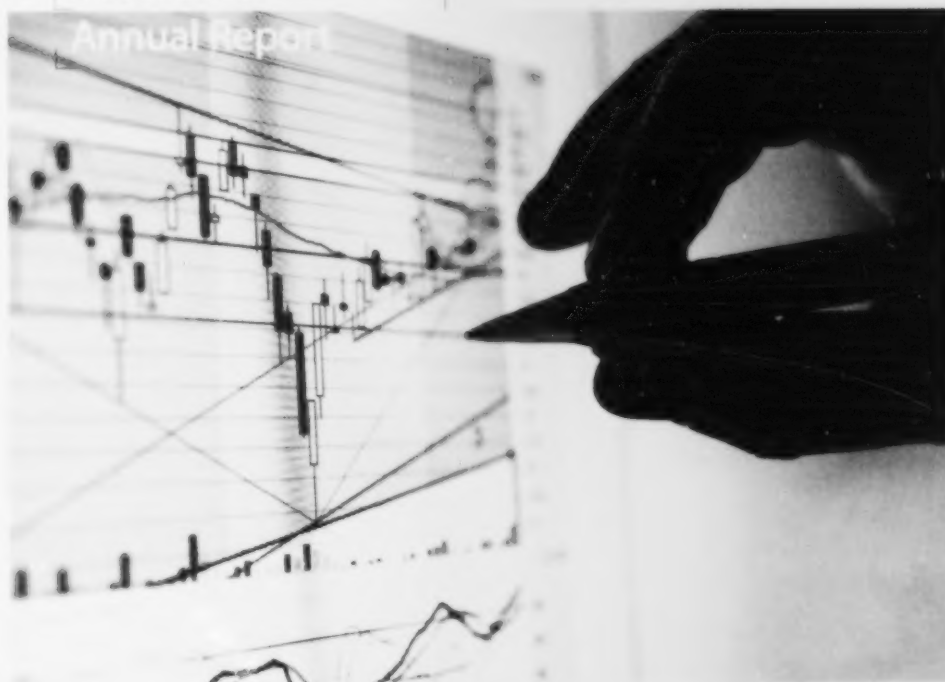


Technology accelerating innovation

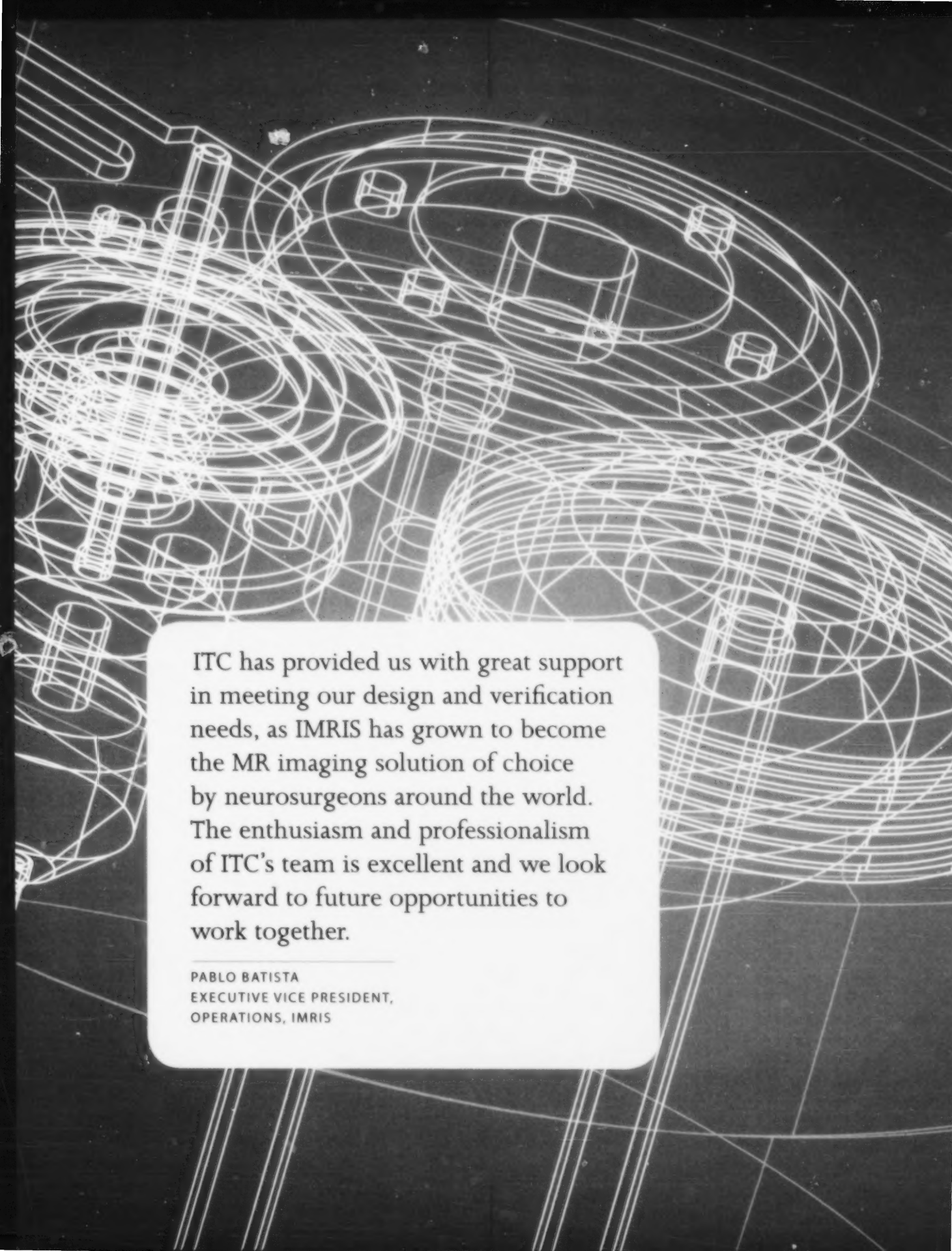
Industrial
Technology
Centre

2008/2009

Annual Report



AN AGENCY OF MANITOBA SCIENCE, TECHNOLOGY, ENERGY AND MINES



ITC has provided us with great support in meeting our design and verification needs, as IMRIS has grown to become the MR imaging solution of choice by neurosurgeons around the world. The enthusiasm and professionalism of ITC's team is excellent and we look forward to future opportunities to work together.

PABLO BATISTA
EXECUTIVE VICE PRESIDENT,
OPERATIONS, IMRIS



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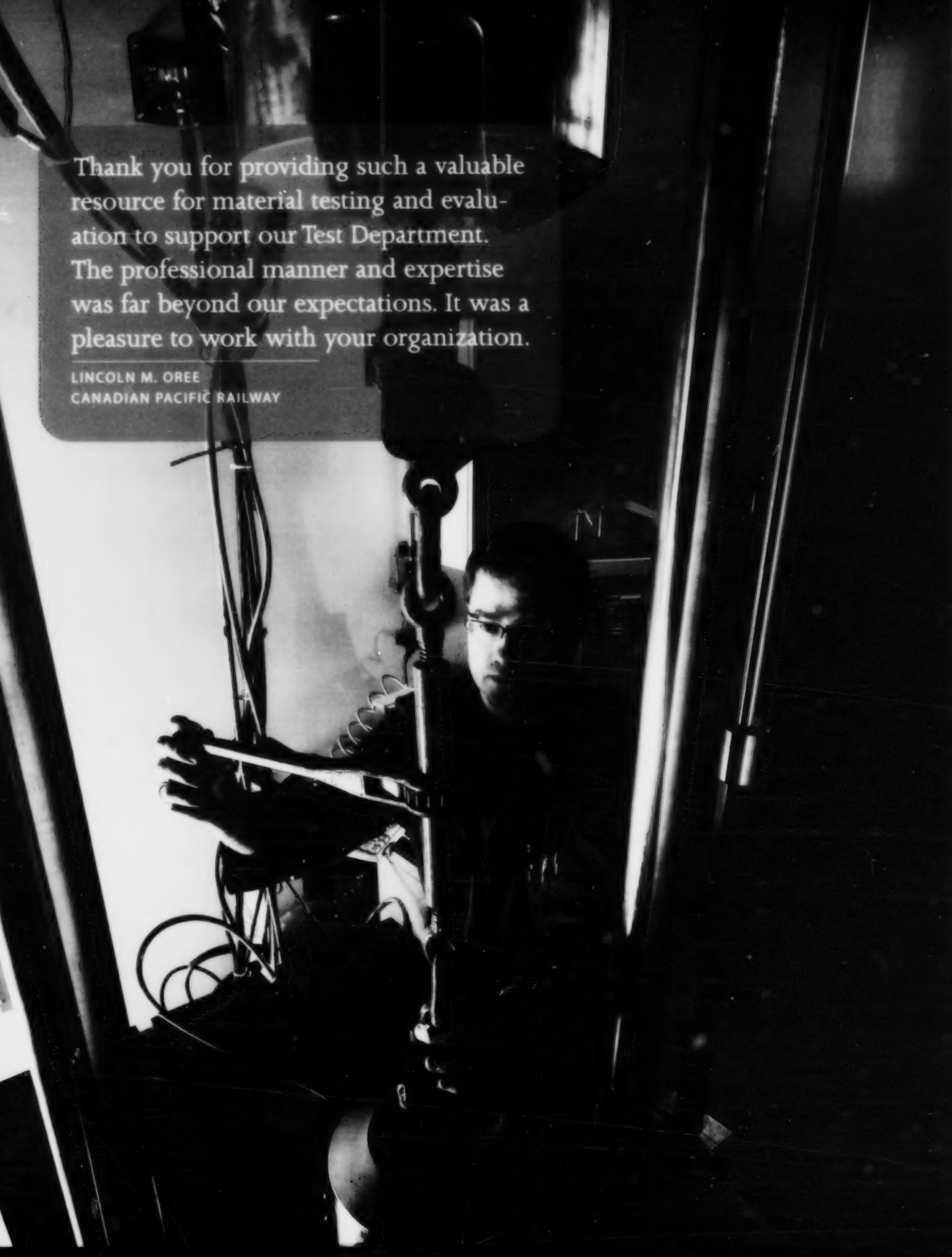
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Thank you for providing such a valuable resource for material testing and evaluation to support our Test Department. The professional manner and expertise was far beyond our expectations. It was a pleasure to work with your organization.

LINCOLN M. OREE
CANADIAN PACIFIC RAILWAY

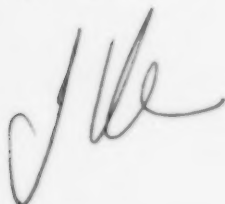
September 15, 2009

The Honourable Philip S. Lee, C.M., O.M.
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

Your Honour:

I have the privilege of presenting the Annual Report of the Industrial Technology Centre for the year ended March 31, 2009.

Respectfully submitted,



Jim Rondeau

Minister of Science, Technology, Energy and Mines

June 30, 2009

Honourable Jim Rondeau
Minister Responsible for the
Industrial Technology Centre
Room 333 Legislative Building
Winnipeg MB R3C 0V8

Dear Minister Rondeau:

I am pleased to submit for your consideration the Annual Report of the Industrial Technology Centre (ITC) for the year ended March 31, 2009.

ITC continues to provide a broad range of technical services to Manitoba companies and seeks opportunities to establish new and enhanced services that will help improve the competitiveness of Manitoba industry. ITC is also partnering with stakeholders in the life science community to implement the "Manitoba Visual Network", which utilizes advanced communication technology to improve collaboration between researchers at various locations. The introduction of the "Virtual Reality Applications Fund" encourages organizations to use the advanced visualization capabilities at ITC.

ITC is working with a number of partners in industry, education and government to implement the technology-related recommendations contained in the Manufacturing Sector Economic Development Plan. These actions will help Manitoba manufacturers achieve productivity improvements from the introduction of advanced technologies.

ITC has commenced the development of a new strategic plan that will be presented to the provincial government in late 2009. This plan will propose enhancements to ITC's programs to support its economic development mandate.

I would like to thank all staff for their hard work and efforts, and our Advisory Board for their input, commitment and support.

Respectfully submitted,



John Clarkson

Deputy Minister of Science, Technology, Energy and Mines
Chairperson of the Industrial Technology Centre Advisory Board

**Message from the
Chief Operating Officer**

June 30, 2009

On behalf of staff, I am very pleased to report on the achievements of the Industrial Technology Centre (ITC) for the year ended March 31, 2009.

ITC has had a record year for project revenues from a wide range of clients and continues to build stronger partnerships and working relationships with stakeholders from industry, education and government.

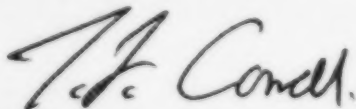
Additional services that have now been fully implemented include surface plate calibration and product development equipment rental. We have also enhanced our environmental testing services and upgraded some of our mechanical testing equipment. These improvements enable us to provide better services to local companies that will help them to increase productivity and competitiveness.

ITC continues to work with research and development partners to implement a Visual Network that will enable real-time collaboration on visualization projects from remote sites. This will encourage researchers from a variety of knowledge-based sectors to work together on the development of advanced digital and training products.

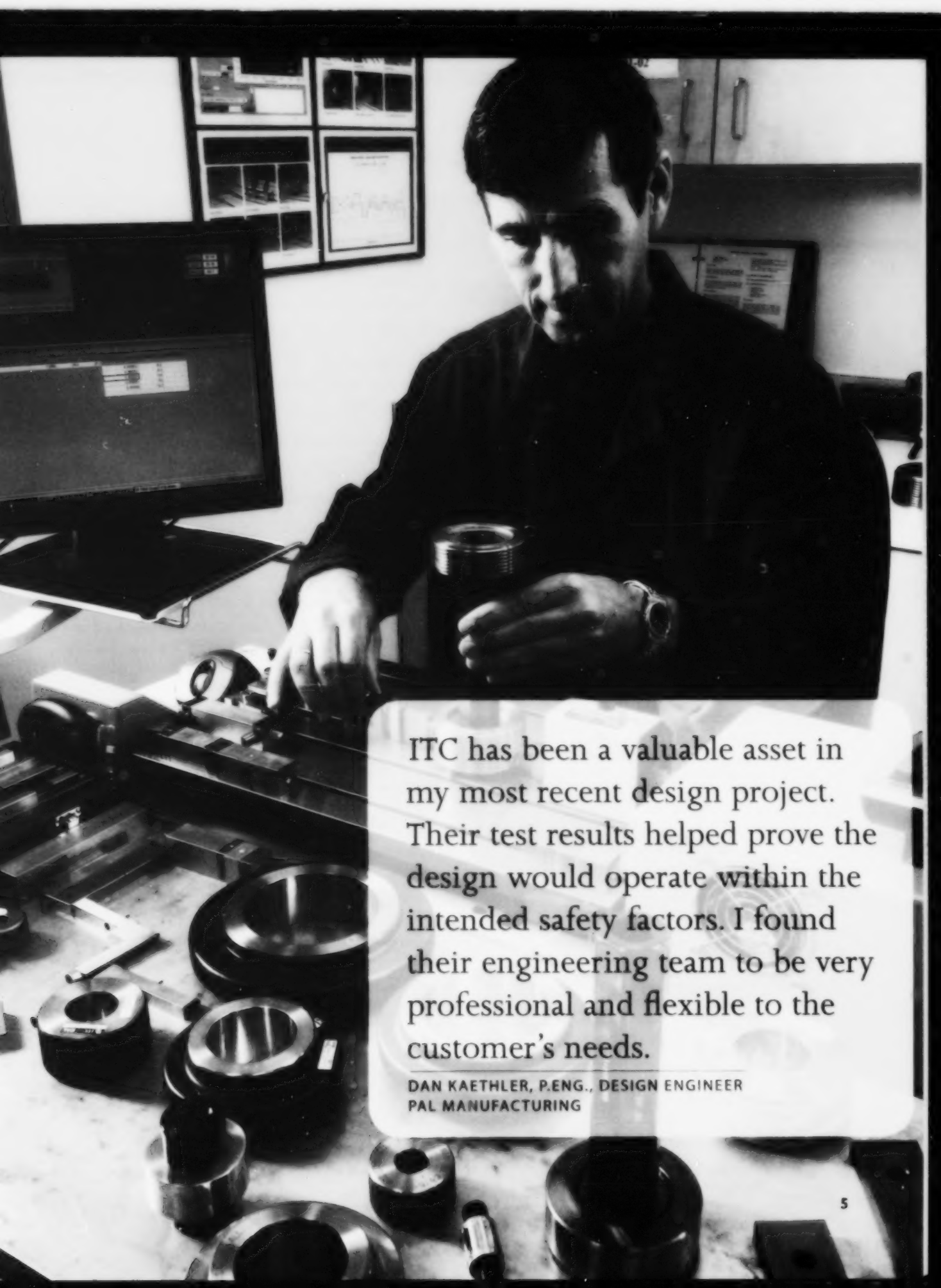
ITC conducted a "Technology Gap Analysis" survey of Manitoba manufacturers to identify current and future technology needs. Based upon these results, ITC is evaluating those technologies that could be brought to Manitoba to help manufacturers improve productivity.

Our clients continue to report that we are providing high-quality, value-added services and are very satisfied with our responsiveness to their timeframes and technical requirements.

I would like to thank all our staff for their hard work, support and dedication, and our Advisory Board for their guidance, advice and commitment to ITC.



Trevor Cornell
Chief Operating Officer



ITC has been a valuable asset in my most recent design project. Their test results helped prove the design would operate within the intended safety factors. I found their engineering team to be very professional and flexible to the customer's needs.

DAN KAETHLER, P.ENG., DESIGN ENGINEER
PAL MANUFACTURING

We needed some detailed specifications to demonstrate to a vendor that theirs were not correct, resulting in a cost saving to us. We also had to have product analyzed to ensure that the product met the material specifications.

JOHN MARTENS,
FORT GARRY INDUSTRIES

They are fantastic and did exactly what we needed, on time.

CLIENT SURVEY RESPONSE

1. AGENCY PROFILE

1.1 Background

The Industrial Technology Centre (ITC) was established in 1979 and commenced operations as a Special Operating Agency (SOA) of the Province of Manitoba on April 1, 1996. ITC now operates under the authority of Manitoba Science, Technology, Energy and Mines (STEM).

The Deputy Minister of STEM chairs ITC's Advisory Board, which includes private sector representatives. The Board provides advice regarding ITC's strategic direction, structure, mandate, business practices, marketing and financial reporting requirements.

ITC provides a wide range of technical services in support of technology-based economic development in Manitoba. ITC customers include Manitoba industry, entrepreneurs, and government departments and agencies. Services are provided on a fee for service basis and under an Economic Development Contribution Agreement (EDCA). The EDCA is a performance contract with STEM to support ITC's contribution to economic development activities in Manitoba. Clients seeking specific technical assistance may be existing or start-up enterprises, and range in size from individuals to large corporations.

ITC's service areas are:

- Advanced Technologies
- Engineering
- Lottery Ticket Testing (LTT)

The economic development contribution from the Province is used to support technical information and advice, library services, and infrastructure for testing, product development, and advanced visualization. These services support SMEs (small and medium-sized





enterprises) that have limited R&D resources.

As an agency of the Province of Manitoba, any disclosures of wrongdoing received by ITC pursuant to The Public Interest Disclosure (Whistleblower Protection) Act will be reported in the annual report of STEM. For further information, please refer to the 2008/09 annual report of Manitoba Science, Technology, Energy and Mines.

1.2 Vision, Mission and Goals

ITC's **vision** is "To be recognized as the best resource for solving technical issues for the benefit of Manitoba."

ITC's **mission** is "As a team and in partnership with our customers, we are committed to provide creative technical solutions for the economic development of Manitoba."

ITC's **goals**, essential to fulfillment of its mission, are as follows:

- To help our clients anticipate, identify and apply appropriate technologies
- To support and contribute to economic development in Manitoba
- To sustain and enhance client relationships by providing high-quality, valued technical services
- To cultivate a work environment that promotes employee achievement, creativity, initiative and growth.

1.3 Service Lines

Advanced Technologies

Technical Information and Advisory Services

ITC plays an important economic development role in Manitoba by providing technical advice and assistance to Manitoba industry,

entrepreneurs and government departments and agencies. ITC is recognized as a critical part of the technical infrastructure required to help individuals and companies increase their competitiveness by developing new or improved products and processes. ITC's technical staff from all service areas provide technical information and advisory services (Technology Transfer) on an as requested basis.

ITC helps clients to define and understand technical issues, to develop methods of solving technical problems and frequently assists in the implementation of solutions. In support of these activities, ITC uses its network of contacts and experts across Canada for technical advice and assistance that may not be available in Manitoba.

Machine/Product Design

Machine/Product Design includes the 3D design of components and complex assemblies, structural analysis, and modelling of parts to predict their performance. Prototypes may be manufactured in ITC's machine shop, or if required, in cooperation with local machine shops.

Advanced Visualization

Advanced visualization incorporates the use of fully immersive, real time modelling techniques to conceptualize and design products and processes. This assists clients to improve:

- Product design and development, process re-engineering, urban planning, and architectural design
- Product marketing
- Development of software for specific scientific and engineering applications

ITC has implemented new equipment and software that can generate 3-dimensional graphic images, which may be relayed by a high-speed link back to off-site users. This remote-site capability will make advanced visualization services more accessible and cost-effective to Manitoba industry, educational and research organizations.

ITC's Machine/Product Design and Advanced Visualization services are designed to provide access to technologies that will enable organizations to attain a competitive advantage in global markets.



Computer-aided engineering
helps improve product design

EXPERTISE

ITC provides technical information
services focussed on manufacturing
and advanced technologies



Library Services

ITC has a technical library that provides crucial information and support to ITC staff and clients. The library houses a comprehensive collection of books, journals and reports in areas such as manufacturing, product and process engineering and materials. ITC also has access to many worldwide databases, and has public internet access for clients to source technical data.

ITC continues to enhance its library collection both physically and electronically while providing current technology awareness through our e-publications and relevant information sessions and workshops.

Customers include inventors, entrepreneurs, and companies in most industrial sectors in Manitoba. Easy access for the public, on-line links to international databases and skilled staff make ITC's library an invaluable resource.

Engineering

Mechanical Testing

Mechanical Testing services are categorized as either Standard or Custom, defined as:

Standard Testing: Those tests that may be described as routine and undertaken (or priced) on a per sample basis. Tests include the measurement of such properties as hardness, impact resistance

and strength. The Materials Testing Laboratory has been granted accreditation by the Standards Council of Canada (SCC) for specific tests, which is recognition of ITC's high standard of competence and credibility.

Custom Testing: Testing for which there may be no defined standard. ITC staff will help the client determine what properties or parameters are to be tested, and will identify or develop appropriate procedures to meet testing requirements. Examples include:

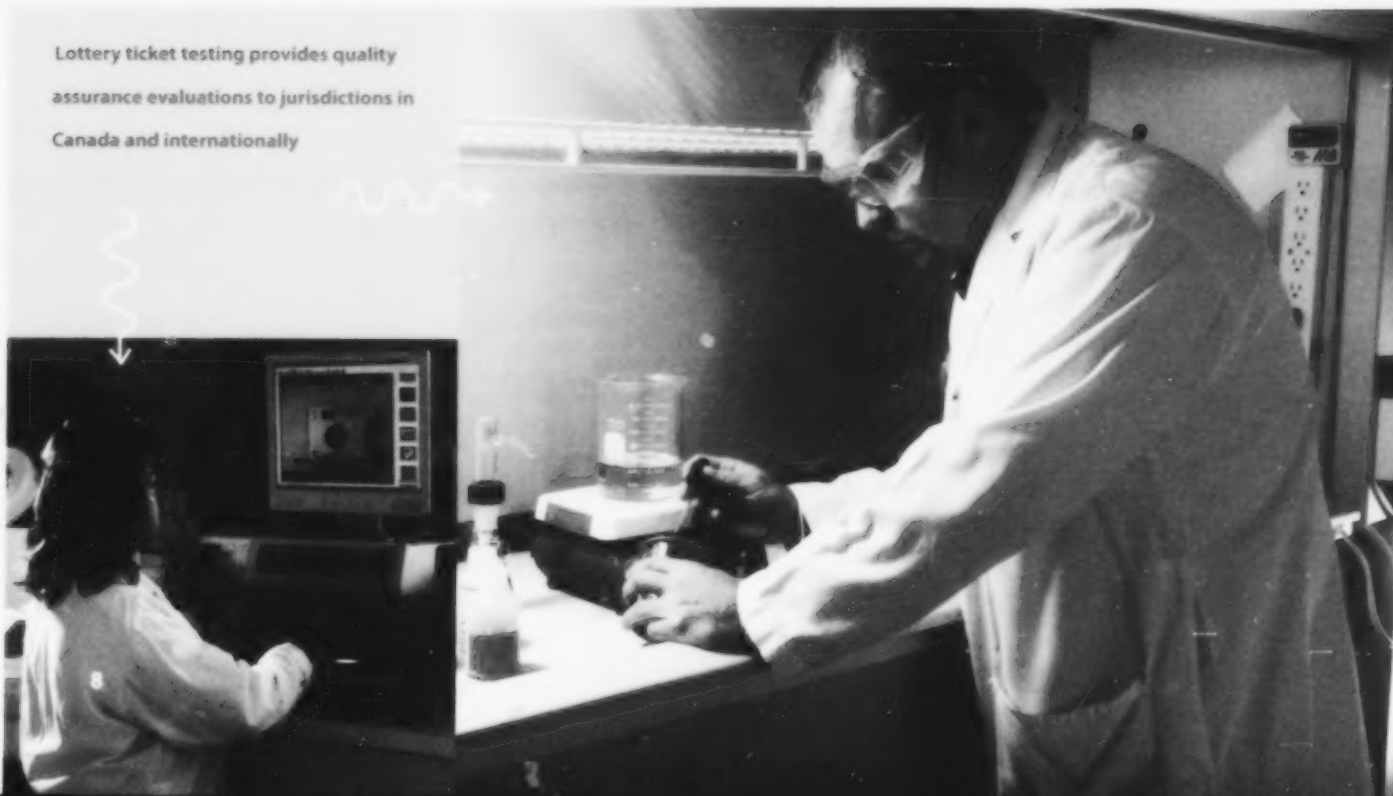
- Testing products or materials when no industry standard exists
- Testing components in their service environment
- Testing under various temperature, humidity and corrosion conditions

Dimensional Calibration

ITC is the only facility in Western Canada to offer accredited dimensional calibration services. The Calibration Laboratory Assessment Service (CLAS), jointly administered by the SCC and the National Research Council (NRC), has accredited and certified our calibration laboratory's technical capabilities and quality program.

Calibration services include the dimensional calibration of gauge blocks, micrometers, calipers, thread wires, thread plugs, thread rings, plain ring and plug gauges, discs, pins, snap gauges, length and height standards, dial gauges, and surface plates, as well as pressure gauges up to 10,000 psi.

Lottery ticket testing provides quality
assurance evaluations to jurisdictions in
Canada and internationally



Dimensional Inspection

ITC's inspection capabilities include a Numerix coordinate measurement machine (CMM) and a FaroArm portable multi-axis measurement arm. Inspection services include detailed physical inspection of parts, comparison of components to CAD drawings and specifications, reverse engineering of assemblies, and part-to-part comparisons.

Custom Data Acquisition

ITC provides solutions to automate data collection and control processes using National Instruments hardware and LabView software, as well as SOMAT eDAQ systems specifically designed for road test applications.

Noise Measurement and Control

ITC can identify and analyze excessive noise problems in products, structures and the workplace and develop noise control solutions. ITC offers comprehensive measurement services, using advanced skills and tools such as Bruel & Kjaer's PULSE system for noise and vibration analysis. We also perform building acoustic studies, and environmental assessments of noise levels using SoundPLAN noise modelling software.

Vibration Measurement and Control

We help determine the causes of excessive vibration in equipment and structures and identify remediation measures. This service is valuable for product testing, equipment balancing, acceptance testing for compliance to vibration tolerance limits, and measurement and analysis of vibration from hand tools and other devices.

Product Development Equipment Rental Service

In the course of product development, physical measurements of parameters such as deflection, acceleration, temperature, pressure, load, or sound are often required for the purposes of troubleshooting or product validation. These parameters are of critical interest to the vehicle manufacturing community. ITC has established, with the support of the Vehicle Technology Centre, a rental service for a variety of equipment to meet these needs.

The market for Engineering services is primarily manufacturing companies in Manitoba. SCC and CLAS accreditations, ISO 9001 registration, and rapid turnaround times are distinct competitive advantages.

Lottery Ticket Testing (LTT)

Lottery Ticket Testing provides security and quality assurance evaluations of instant scratch off and break open lottery tickets, customized research programs to assist lotteries in evaluating new products and technologies, and evaluations of questioned documents.

Services are provided to lottery jurisdictions in Canada and internationally. ITC is the sole commercial Canadian laboratory providing these services.

1.4 Strategic Outlook

ITC's technical and advisory services make a significant contribution towards improvement in the productivity and competitiveness of Manitoba's manufacturing and advanced technology sectors.

ITC management continues to evaluate how to best support manufacturers, and has taken on several initiatives towards this goal.

ITC management is preparing a long-term strategic evaluation, including proposed program activities related to applied research and development, and the application of new technologies. As an outcome of this program, ITC expects to make a significant contribution in helping Manitoba's manufacturing and advanced technology sectors adopt new technology.

ITC has conducted a "Technology Gap Analysis" survey of Manitoba companies and is evaluating specific areas where ITC can provide assistance. ITC will continue to review its services and operations to ensure that they are meeting the changing needs of Manitoba industry, focusing on sectors that include advanced manufacturing, life sciences and emerging technology.

The Province has assisted in the development of a Manufacturing Sector Economic Development Plan (MSEDEP), and as this strategy unfolds, ITC will adapt its services to meet the needs of manufacturers.

ITC will continue to work together with partners in industry, government, academia and other organizations to undertake applied research, development and technology commercialization projects for the benefit of Manitoba.

FLEXIBILITY

Thank you for coming through in short order with specific sources of information on the consumption of wood by the Canadian furniture industry.

JOE MALKO, FURNITURE WEST INC.

2. PERFORMANCE REVIEW

2.1 Sector Highlights

ITC made a significant impact in many different sectors during FY 2008/2009. Some sample projects are highlighted below:

Aerospace

Calibration services support our clients' quality control systems, and contribute to improved design and safety.

- Ongoing dimensional calibration for several aerospace clients
- Introduced surface plate calibration service

Building, Architecture and Construction

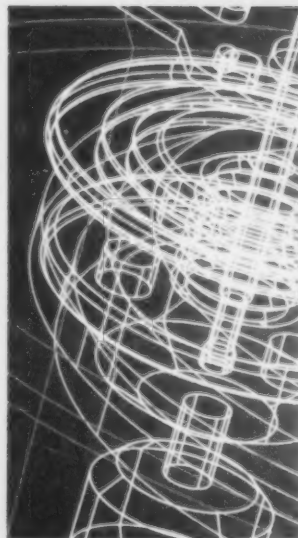
Noise and vibration analysis and material testing improve design and enable prevention or remediation of problems.

- Provided sound level equipment to a construction firm to monitor noise levels

Environment and Resources

Material testing, finite element analysis and technical information improve equipment and processes used in the resource sector.

- Prepared and distributed the Manitoba BioEnergy Technology News
- Assisted in determining the root cause of costly mining equipment failures



STATE



**Advanced visualization services help the
life sciences and biotech communities in
simulation and training**

General Manufacturing

All engineering services support clients' quality systems, improve products and processes, enhance productivity, and foster the adoption of advanced technology.

- ASTM standard testing of carbon fibre composite material
- Surveyed Manitoba manufacturers to determine current state of technology application
- Contract testing with local casting and steel product companies
- Assisted adhesive manufacturer in development of new product
- Advised in the application of finite element analysis modelling techniques
- Environmental sound measurement for a mill

Health

Product development, inspection and advanced visualization services improve the design of equipment and processes used in the health sector.

- Dimensional analysis of components for an MRI surgery table
- Continued to work with the Manitoba Institute of Cell Biology to pilot the Manitoba Visualization Network to enable research collaboration across MRNet
- Developed a mode of visualization for 3D imaging of cancer cells
- Data acquisition software for application in diabetes research
- On-site dimensional verification of process equipment

Public Infrastructure

Engineering, advanced visualization and information services help support public infrastructure through improved design.

- Developed a custom data acquisition system used to research asphalt material durability
- Conducted on-site load verification testing to ensure equipment could safely lift anticipated loads

Transportation

Custom data acquisition, dimensional calibration and inspection, material testing, and noise control services support clients' quality systems, evaluate components, and improve products and processes.

- Conducted a series of noise and vibration tests for a bus manufacturer

to assist in product design

- Tested ability of vehicle body panels to withstand impact of road debris
- Provided vehicle testing data acquisition systems for rental
- Reverse engineering of oil seals, camshafts and other automotive components
- Ensured vehicle window assemblies met safety standards
- Custom load and strain testing of a prototype truck hoist
- Analysis of brake drums
- Headlight testing on buses with bike racks

Wood Products

Material and product testing services support product improvement.

- Finish and durability testing of kitchen cabinets

Partnerships in Research and Development

- Participating as a member of the Innoventures Canada (I-CAN) network, along with other provincial research organizations across Canada. I-CAN is a "virtual network" providing companies access to specialized facilities and expertise for technology development
- Participating in the implementation of the Manufacturing Sector Economic Development Plan (MSEDP)
- Provided technical information services to a variety of Manitoba industrial sectors
- Participated at several "Bio" exhibitions in collaboration with STEM
- Evaluated and approved projects that will utilize the Virtual Reality Applications Fund (VRAF)

Training, Skill Development and Technology Awareness

- Delivered technology awareness sessions / workshops, including:
 - Simulating Productivity
 - Fatigue of Weld Pressure Vessels
 - Management of Design Analysis
 - Multiphysics Simulation Using Implicit Sequential Coupling
 - Creep Loading of Pressurized Components—Phenomena & Evaluation
 - Cluster Computing
 - MITACS – Interactive Digital Media Workshop
 - Physical Modelling: Next Generation Modelling & Simulation
 - Manitoba Mining Convention workshop

ITC offers accredited calibration services,
which help Manitoba industry meet
quality standards

OF THE ART

- Factory Simulation
- Finite Element Design Analysis for Design Engineers
- Produced monthly issues of the Innovation & Technology Watch, the Advanced Manufacturing News, and the Manitoba BioEnergy Technology News

2.2 Results

STEM supports ITC for its economic development activities under the Economic Development Contribution Agreement (EDCA). In accordance with specified performance areas, customer and economic development impacts are measured using in-depth interviews with representative clients.

Performance Areas and Goals

Economic Development

- To support and contribute to economic development in Manitoba

Customer

- To sustain and enhance client relationships by providing high-quality, valued technical services

Operations

- To identify and apply appropriate technologies

Learning and Growth

- To cultivate a work environment that promotes employee achievement, creativity, initiative and growth

Financial

- To continue to demonstrate sound financial management

Economic Development

ITC clients reported the following impacts in FY 2008/2009:

Jobs Created or Saved 275

The total of 275 jobs created or saved represents \$11.4 million in wages based on an average annual manufacturing salary of \$41,288 (July 2008).

Sales Increase \$4.0 million

Sales Maintained \$18.3 million

Cost Savings Identified \$0.4 million

Investment Increases \$3.8 million

Influence on client objectives 95% of respondents reported that ITC had a positive impact on their organization.

These results are compiled from 82 client responses. No attempt has been made to extrapolate the impacts for ITC's entire project client base (approximately 250 clients).

Since inception as an SOA (FY 1996/97), the following outcomes have been reported by clients (financial results in millions):

	Total Impacts
Jobs created or saved	7,853
Increased / maintained sales	\$102.6
Increased investment	\$107.1
Cost savings	\$34.2

Customer

ITC maintains a system for capturing specific client satisfaction and other information, and results indicate very high satisfaction with our overall project performance.

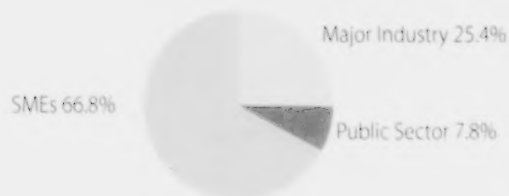
Custom window testing under extreme temperature conditions helps companies evaluate how their product will perform in a severe environment



ACCURACY

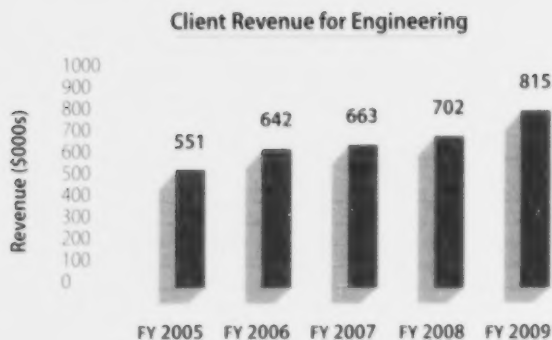
Service category	Customer satisfaction target (FY 08/09)	Customer satisfaction result
Advanced Technologies	90%	100% of clients surveyed in the economic impacts study reported a positive impact at their organization
Engineering	90%	95% of clients surveyed in the economic impacts study reported a positive impact at their organization
Lottery Ticket Testing	90%	92% of lottery jurisdictions very satisfied based on discussion with lottery clients

ITC's customer base consists of the following:

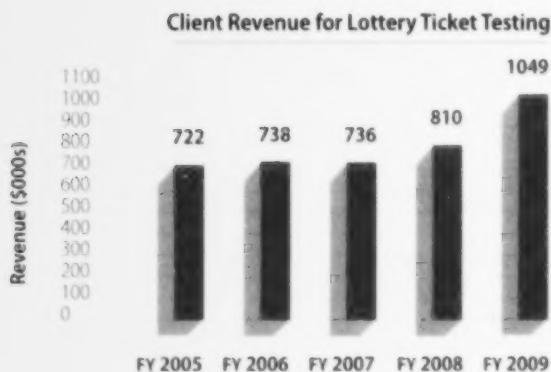


SMEs (small and medium-sized enterprises) include manufacturers with fewer than 50 employees, consulting engineers, small service organizations, and individual entrepreneurs.

The client revenue for Engineering has increased over the last 5 years as indicated by the following chart:



The client revenue for Lottery Ticket Testing has also increased over the last 5 years as indicated by the following chart:



Operations

ITC continues to maintain ISO 9001 registration, with the following quality policy:

"The Industrial Technology Centre (ITC) will provide cost-effective, value-added technical services which will meet the commitments made to its customers."

Operational activities for the year included:

- Continued to assist in the ongoing implementation of the Manufacturing Sector Economic Development Plan (MSEDP) in collaboration with the Canadian Manufacturers and Exporters (CME).



ITC's corrosion chamber tests products and materials for durability in corrosive surroundings

- Continued to build relationships and partnerships with organizations including:
 - Canadian Manufacturers and Exporters (CME)
 - Composites Innovation Centre (CIC)
 - Innoventures Canada (I-CAN)
 - National Research Council – Industrial Research Assistance Program (NRC-IRAP)
 - University of Manitoba
 - Vehicle Technology Centre (VTC)
- Continued to review and develop services to match industry needs
 - Implemented surface plate calibration
 - Introduced product development equipment rental service
 - Expanded environmental exposure testing
 - Demonstrated capability for distributed visualization
- Implemented capital plan
- Implemented computer system improvements
- Maintained quality systems
 - CLAS (Calibration Laboratory Assessment Service)
 - SCC (Standards Council of Canada)
 - ISO 9001:2000

Learning and Growth

Learning and growth activities for the year included:

- Undertook the following training activities:
 - Surface plate calibration

- MTS 793 materials testing software
- Numerically controlled machining
- Cyber Factory Revolution
- Attended IMTS 2008 International Manufacturing Technology Show
- Siemens NX6 product development
- Pathway to Future CAE Technologies
- Practical Advice for Finite Element Analysis of Your Design
- Modal Analysis in Virtual Prototyping and Product Validation
- Conducted staff survey to identify opportunities for improvement

Financial

ITC has now completed its thirteenth year of operation as an SOA, with financial results showing a net income for the year. As compared to the prior year, fee for service was up significantly with increased project activity in Engineering and Lottery Ticket Testing. The increase in salaries reflects additional costs related to increased project revenues and the implementation of a general salary increase during the year to match the Provincial agreement.

(\$000s)	Current Year	Prior Year	Variance to Prior Year
Province of Manitoba	750	750	—
Fee for service	1,953	1,656	297
Other	133	134	(1)
Total revenue	2,836	2,540	296
Salaries and benefits	1,647	1,516	131
Other operating expenses	1,103	1,030	73
Total operating expenses	2,750	2,546	204
Net income (loss)	86	(6)	92

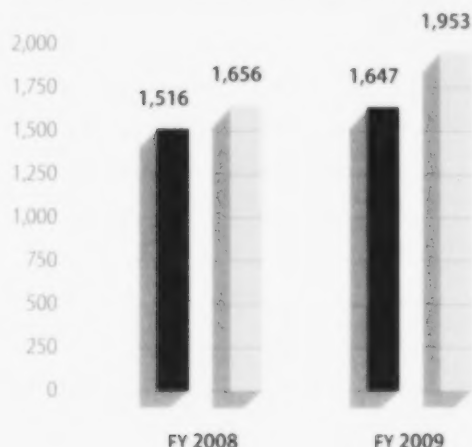
Strain testing utilizing data acquisition instrumentation helps ensure products meet stress requirements



PRECISION

With the strong fee for service revenue results, we were able to increase the ratio of fee for service revenue to salaries. This demonstrates a high utilization of resources at ITC due to continued solid demand for project work.

■ Fee for Service Revenue vs ■ Salaries (\$000s)



Pursuant to The Public Sector Compensation Act, employees of the Industrial Technology Centre who have received compensation of \$50,000 or more, including benefits and severance payments, in the year ended March 31, 2009, are disclosed in Volume 2 of the Public Accounts of the Province of Manitoba.

Significant variations in other operating expenses consisted of increases in advertising and promotions (related to business development activities), equipment (related to testing and analysis), office (including increased communication charges) and lease costs. The significant decrease in project costs relates to higher pass-through charges in the prior year.

ITC has focused efforts on expanding client reach and project opportunities, and continues to closely monitor expenditures.

The results given in this annual report for FY 2008/2009 indicate that ITC has continued to demonstrate sound management, and has achieved recognition for the value and impact of its economic development activities.

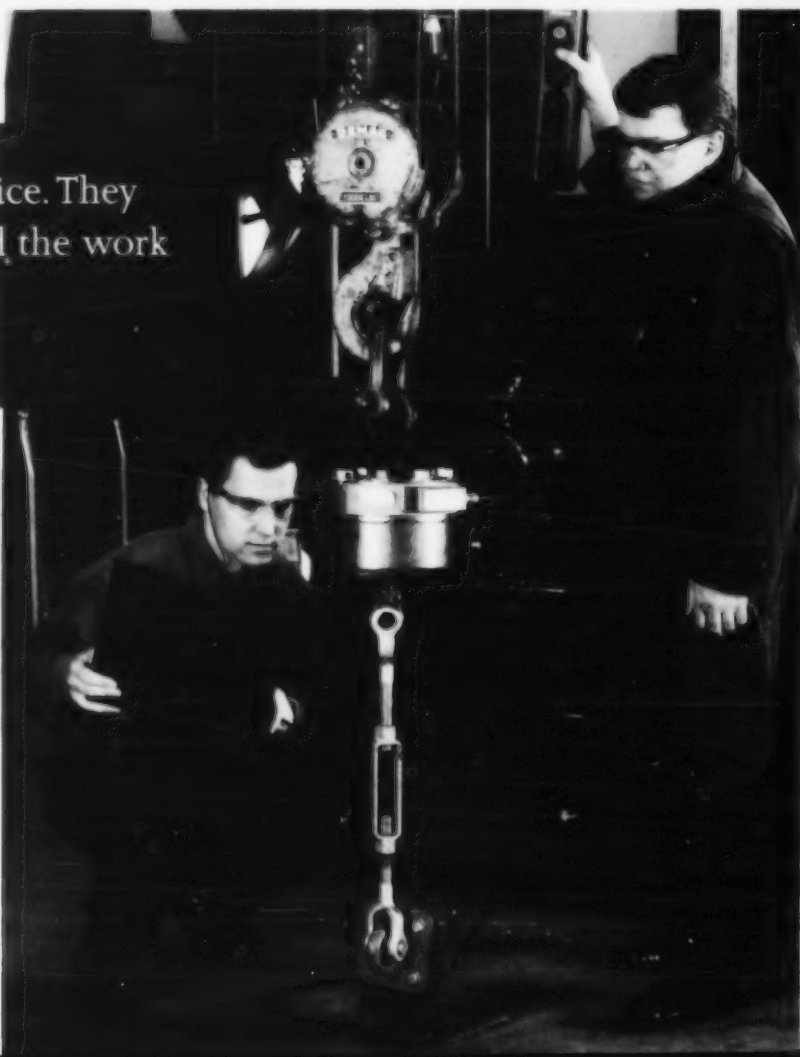
I am very happy with the service. They are courteous and friendly, and the work is always accurate and timely.

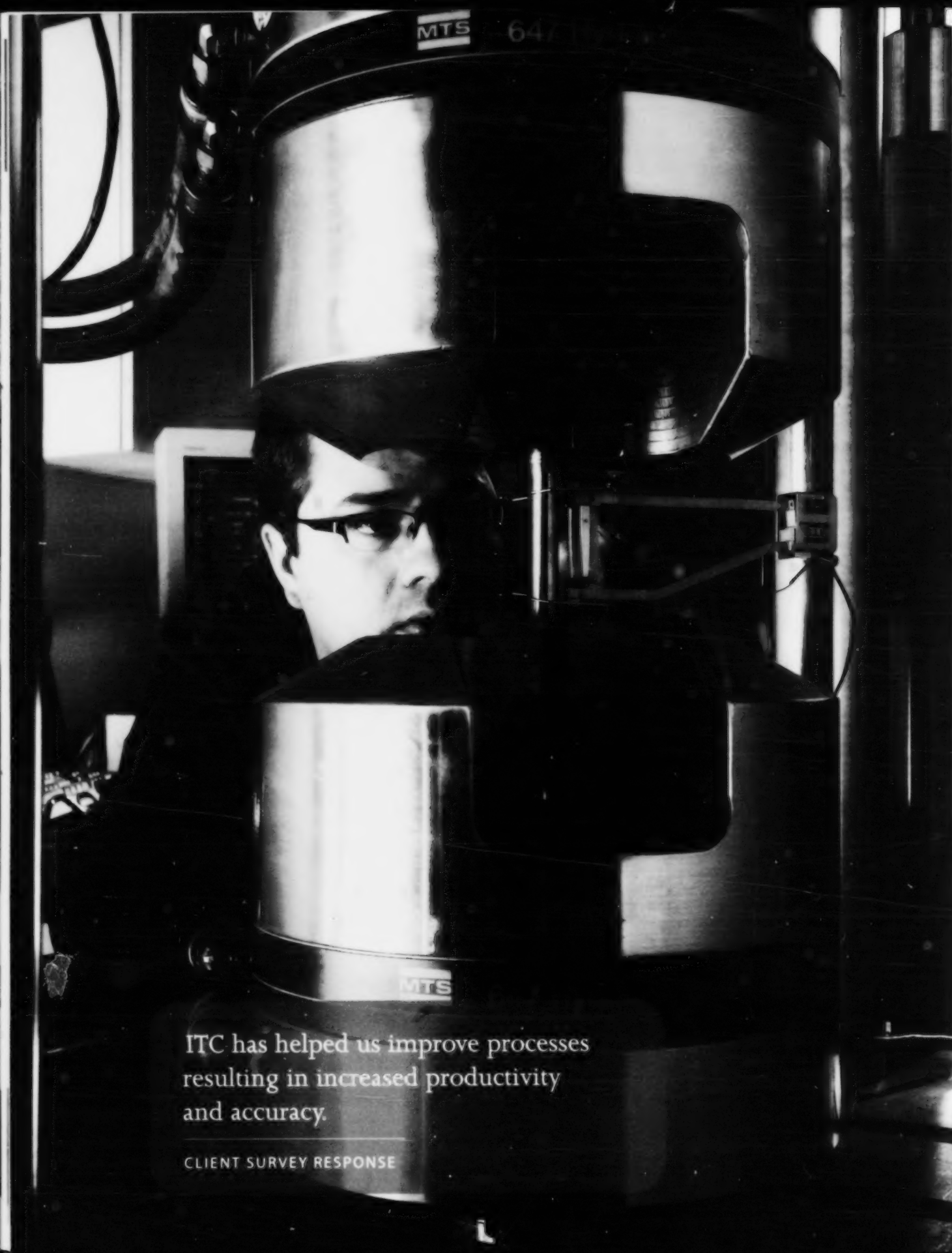
CLIENT SURVEY RESPONSE

Custom proof load testing examines product strength to ensure that specifications are met



Specialized capabilities help manufacturers identify and solve vehicle noise and vibration problems





ITC has helped us improve processes
resulting in increased productivity
and accuracy.

CLIENT SURVEY RESPONSE

3. MANAGEMENT REPORT

May 29, 2009

For the year ended March 31, 2009

The accompanying financial statements of the Industrial Technology Centre (ITC) are the responsibility of management and have been prepared by ITC in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to May 29, 2009.

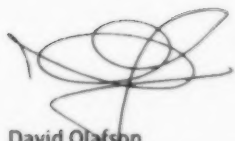
Management maintains internal controls designed to indicate responsibility, provide reasonable assurance of the reliability and accuracy of the financial statements, and properly safeguard ITC's assets.

The responsibility of the external audit is to express an independent, professional opinion lending assurance and objectivity as to whether the financial statements of ITC are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report outlines the scope of the audit examination and provides the audit opinion.

On behalf of management,



Trevor Cornell
Chief Operating Officer



David Olafson
Manager, Corporate Services

4. AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of the Industrial Technology Centre as at March 31, 2009 and the statements of earnings, comprehensive income (loss) and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Winnipeg, Manitoba
May 29, 2009

5. FINANCIAL STATEMENTS

Balance Sheet

As at March 31, 2009

(In thousands)

	2009	2008
Assets		
Current		
Cash and funds on deposit with Minister of Finance net of working capital advance (note 6)	\$373	\$176
Accounts receivable	242	458
Due from Province of Manitoba	—	103
Prepaid expenses	58	16
	<u>673</u>	<u>753</u>
Long term investment (note 5)	103	—
Capital assets (notes 3 and 7)	665	633
	<u>768</u>	<u>633</u>
	<u>\$1,441</u>	<u>\$1,386</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$406	\$637
Deferred revenue	218	36
	<u>624</u>	<u>673</u>
Severance liability (note 8)	247	229
	<u>871</u>	<u>902</u>
Equity		
Contributed Equity (note 9)	62	62
Retained Earnings	508	422
	<u>570</u>	<u>484</u>
	<u>\$1,441</u>	<u>\$1,386</u>

The accompanying notes are an integral part of these financial statements.

Statement of Earnings, Comprehensive Income (Loss) and Retained Earnings

For the year ended March 31, 2009

(in thousands)

	2009	2008
Revenue		
Province of Manitoba	\$750	\$750
Fee for service	1,953	1,656
Other	133	134
	<u>2,836</u>	<u>2,540</u>
Operating expenses		
Advertising and promotion	89	68
Amortization	139	131
Audit and legal	9	8
Bad debts	1	–
Building maintenance	55	48
Computer	47	44
Equipment	85	59
Fees and memberships	33	24
Insurance	41	40
Library	10	12
Office	68	48
Professional development	13	20
Project supplies and subcontract	95	125
Purchased services	8	4
Rent and property tax	321	310
Salaries and benefits	1,647	1,516
Travel	38	36
Utilities	51	53
	<u>2,750</u>	<u>2,546</u>
Net earnings (loss) and comprehensive income (loss)	86	(6)
Retained earnings at beginning of period	422	428
Retained earnings at end of period	<u>\$508</u>	<u>\$422</u>

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flow

For the year ended March 31, 2009
(in thousands)

2009 **2008**

Cash derived from (applied to):

Operating activities

Net earnings (loss) and comprehensive income (loss)	586	(\$6)
Items not involving cash		
Amortization	139	131
	225	125
Changes in non-cash working capital balances		
Accounts receivable	216	(131)
Due from Province of Manitoba	103	—
Prepaid expenses	(42)	4
Accounts payable and accrued liabilities	(231)	194
Deferred revenue	182	31
Severance liability	18	16
	471	239

Investing activities

Long-term investment	(103)	—
Acquisition of capital assets	(171)	(104)
	(274)	(104)

Net increase in cash and cash equivalents 197 135

Cash and cash equivalents at beginning of period 176 41

Cash and cash equivalents at end of period \$373 \$176

Represented by:

Cash and bank	\$47	\$21
Funds on deposit with the Minister of Finance	326	155
	<u>\$373</u>	<u>\$176</u>

Interest revenue included in cash flow from operating activities \$6 \$7

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended March 31, 2009
(In Thousands)

1 Nature of Organization

The Industrial Technology Centre (ITC) was established in 1979 under "Enterprise Manitoba", a joint Federal/Provincial cost-shared funding agreement. ITC was managed by the Manitoba Research Council until September 1992 when responsibility for ITC was transferred to the Economic Innovation & Technology Council (EITC). ITC was created as a technical resource for Manitoba industry and government and continues to provide a wide range of technical services to both the private and public sectors.

Effective April 1, 1996, ITC was designated as a Special Operating Agency under The Special Operating Agencies Financing Authority Act, Cap. 5185, C.C.S.M., and operates under a charter approved by the Lieutenant Governor in Council. ITC operates as part of Manitoba Science, Technology, Energy and Mines under the general direction of the Deputy Minister.

ITC is financed through the Special Operating Agencies Financing Authority (SOAFA). SOAFA has the mandate to hold and acquire assets required for and resulting from Agency operations. It finances ITC through working capital advances. The financial framework allows the Agency to operate in a business-like manner, which is facilitated by SOA status.

A Management Agreement between SOAFA and the Minister of Science, Technology, Energy and Mines assigns responsibility to the Agency to manage and account for the Agency-related assets and operations on behalf of SOAFA.

An Economic Development Contribution Agreement between ITC and Manitoba Science, Technology, Energy and Mines defines expected public policy benefits generated from ITC's operations.

ITC has full delegated authority for all administrative, financial and operational matters. This delegation is subject to any limitations, restrictions, conditions and requirements imposed by legislation or by the Minister.

2 Change in Accounting Policies

Effective April 1, 2008, the Agency adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1535 Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. These standards

require an entity to disclose its objectives, policies and processes for managing capital, a summary of quantitative data about what it manages as capital and whether it complied with any externally imposed capital requirements to which it is subject and, if not, the consequences of such non-compliance.

Section 3862 Financial Instruments – Disclosures

Section 3862 modifies the disclosure requirements for financial instruments that were included in Section 3861, Financial Instruments – Disclosure and Presentation. The new standards require an entity to provide disclosures in its financial statements that enable users to evaluate the significance of financial instruments on its financial position and performance, the nature and extent of the risks to which it is exposed during the period and at the balance sheet date, and how those risks are managed.

Section 3863 Financial Instruments – Presentation

Section 3863 carries forward the presentation requirements of Section 3861, Financial Instruments – Disclosure and Presentation, unchanged.

The above noted new standards have no impact on the recognition, measurement or presentation of financial instruments in the Agency's yearend financial statements.

3 Significant Accounting Policies

Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Capital assets

Capital assets are recorded at cost. Amortization, intended to write off the assets over their estimated useful lives, is recorded at the following annual rates and methods:

Furniture and fixtures	20%, declining balance
Office and laboratory equipment	20%, declining balance
Computer equipment and software	20%, straight-line
Leasehold improvements	10%, straight-line

Capital disclosures

The Agency's capital consists of contributed equity and retained earnings provided from operations.

The Agency's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

Government assistance

Non-repayable government assistance relating to capital expenditures is reflected as a reduction of the cost of such assets.

Revenue recognition

Province of Manitoba funding is recognized over the term for which it applies. Fees for service are recognized as the service is performed.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the Agency, are as follows:

Financial Statement Concepts

CICA Handbook Section 1000, Financial Statement Concepts has been amended to focus on the capitalization of costs that truly meet the definition of an asset and de-emphasizes the matching principle.

The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Agency is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

International Financial Reporting Standards

The AcSB plans to converge Canadian GAAP with International

Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Agency's financial statements has yet to be determined.

4 Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost. The financial assets and liabilities of the Agency are classified and measured as follows:

Financial Asset/Liability	Category	Subsequent Measurement
Cash and funds on deposit	Held for trading	Fair value
Long term investment	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable	Other financial liabilities	Amortized cost
Accrued liabilities	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they are recorded in the statement of earnings and retained earnings.

Fair Value of Financial Instruments

The fair values of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Financial Risk Management - Overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2009 is:

Cash and funds on deposit	\$ 373
Accounts receivable	242
Long term investment	<u>103</u>
	<u>\$718</u>

Cash, funds on deposits and long term investment: The Agency is not exposed to significant credit risk as the cash, term deposits and long term investment are primarily held by the Minister of Finance.

Accounts receivable: The Agency is not exposed to significant credit risk as payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

There was no change in the allowance for doubtful accounts during the year and the balance at March 31, 2009 was \$20.

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any significant financial instruments denominated in foreign currency.

5 Long Term Investment

The Province of Manitoba accepted responsibility for the vacation entitlements earned by the employees of the Agency prior to its designation as SOA, and the severance pay benefits accumulated to March 31, 1998 for certain of the Agency's employees. Accordingly, the Agency recorded a receivable of \$103 from the Province of Manitoba for these accumulated benefits. Effective March 31, 2009 the Province of Manitoba had agreed to pay the receivable balances related to the funding for these liabilities and has placed the amount of \$103 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

6 Working Capital Advance

The Agency has an authorized line of working capital advances up to a maximum of \$300. As at March 31, 2009 working capital advances were nil (2008 – nil). The line bears interest at prime less 1% and is not secured by specific assets.

7 Capital Assets

	2009		2008	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Furniture and fixtures	\$ 16	\$ 7	\$ 10	\$ 6
Office and laboratory equipment	1,192	780	1,043	713
Computer equipment and software	680	572	664	521
Leasehold improvements	200	64	200	44
	<u>\$ 2,088</u>	<u>\$ 1,423</u>	<u>\$ 1,917</u>	<u>\$ 1,284</u>
Net book value		\$ 665		\$ 633

8 Severance Pay Benefits

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Agency's actuarially determined net liability for accounting purposes as at March 31, 2009 was \$247 (2008 - \$229). Commencing in the 2006 fiscal year the actuarial gain of \$76 is being amortized over the 15 year expected average remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2005 valuation, and in the determination of the March 31, 2009 present value of the accrued severance benefit obligation were:

Annual rate of return

inflation component	2.50%
real rate of return	4.00%
	6.50%

Assumed salary increase rates

annual productivity increase	0.75%
annual general salary increase	3.25%
	4.00%

9 Contributed Equity

A Transfer Agreement between the Special Operating Agencies Financing Authority (SOAFA) and Manitoba effected a transfer of capital assets, current assets and current liabilities from Manitoba to SOAFA as at March 31, 1996. Net assets in the amount of \$124 were transferred to continue the operations of ITC. ITC has repaid SOAFA the debt portion of \$62 (50% of the value of the net assets) and recorded the remaining \$62 (50% of the value of the net assets) as Manitoba's equity in SOAFA as related to the Agency's operations.

10 Commitment

The Agency has entered into a lease agreement for the rental of a building at Smartpark, with space of 24,118 square feet. Of this space, ITC occupies 19,032 square feet, with 5,086 square feet being sublet to the Composites Innovation Centre (CIC). Occupancy costs pertaining to the CIC will be recoverable from them. This ten-year lease requires lease payments as follows:

	ITC	CIC	Total
FY 2009/10 - FY 2014/15 (per year)	\$189	\$51	\$240
FY 2015/16 (7 mos)	110	30	140

11 Pension Benefits

In accordance with the provisions of the Civil Service Superannuation Act, employees of the Centre are eligible for pension benefits under the Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires the Centre to contribute an amount equal to the employee's contribution to the Fund for current services. The amount contributed and expense by the Centre for 2009 is \$78 (2008 - \$75).

The Centre has no further liability associated with the annual cost of pension benefits earned by the Centre's employees.

12 Related Party Transactions

The Agency is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business.

Appendix 1: Staff as at March 31, 2009

Diane Chicheluk
Trevor Cornell, B.Sc. (Hons., M.E.), C.Eng., P.Eng.
Betty Dearth, B.A., M.I.L.S.
Danny Fredette, Journeyman Machinist, C.Tech.
Daniel Godin, Dip. Mech. Eng. Tech., C.E.T.
Sandra Graff
Dale Kellington, B.Sc.
Dragomir Kojic, C.E.T.
Judith Lesprance
Shawna Levesque, Clerical Bookkeeping Certificate
Stephen McKendry-Smith, Dip. Biological Tech.
David Olafson, B.Sc., B. Comm. (Hons.), C.G.A., C.C.P.
Jeongsoo Park, B.Sc., M.Sc., Ph.D. (M.E.), P.Eng.
Tim Peters
Gord Pizey, B.Sc. (M.E.), M.Sc., P.Eng.
Sharon Ratuszniak
Tony Robak, Millwright, C.Tech.
David St. Jean, Management Studies Certificate
Myron Semegen, C.E.T.
Michael Thomlinson, B.Sc. (M.E.), M.Sc. (I.E.), P.Eng.
Yixiao Xiong, Dip. Mech. Eng., B.Eco.

Appendix 2: Advisory Board

John Clarkson
(Chairperson)
Deputy Minister
Science, Technology, Energy
and Mines
Room 349 Legislative Building
Winnipeg, Manitoba R3C 0V8

Ken Carr
Representing the
Manitoba Aerospace Association Inc.
51 Woodgreen Place
Winnipeg, Manitoba R3J 1H4

Roy Cook
Chief Operating Officer
Monarch Industries Limited
51 Burmac Road, P.O. Box 429
Winnipeg, Manitoba R3C 3E4

Richard Krohn
Director of Product Development
Casana Furniture Limited
630 Kernaghan Avenue
Winnipeg, Manitoba R2C 5G1

Al MacAtavish
Manitoba Hydro (retired)
P.O. Box 127J, RRS
Winnipeg, Manitoba R2C 2Z2

Paul Soubry L.L.D. (Man.)
63 Ridgedale Crescent
Winnipeg, Manitoba R3R 0B2

Ed Van Humbeck
103 Kinkora Drive
Winnipeg, Manitoba R3R 2P5

Trevor Cornell
Chief Operating Officer
Industrial Technology Centre
200-78 Innovation Drive
Winnipeg, Manitoba R3T 6C2

Stephen McKendry-Smith
Staff Representative
Industrial Technology Centre
200-78 Innovation Drive
Winnipeg, Manitoba R3T 6C2



Industrial Technology Centre

**The Industrial Technology Centre is located within
the University of Manitoba Smartpark at:**

200-78 Innovation Drive
Winnipeg, MB R3T 6C2
Canada

Ph: 204.480.3333

Fax: 204.480.0345

Toll Free: 1.800.728.7933

E-mail: tech@itc.mb.ca
www.itc.mb.ca